

Message Text

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63

ACTION ARA-10

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-03 H-02 INR-07 L-03

NSAE-00 NSC-05 PA-02 PRS-01 SP-02 SS-15 USIA-15

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CIEP-02 LAB-04 SIL-01 OMB-01 /097 W

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R 232130Z JUN 75

FM AMEMBASSY BOGOTA

TO SECSTATE WASHDC 9305

UNCLAS BOGOTA 5793

EO 11652: NA

TAGS: EFIN CO

SUBJ: REMARKABLE IMPROVEMENT IN TAX COLLECTIONS

REF: A-48 OF MAY 5, 1975

1. MAY FISCAL DATA GIVES THE FIRST REAL INDICATION OF THE EFFECT OF THE RECENT TAX REFORM MEASURES ON INCOME TAX COLLECTIONS. THE RESULTS ARE QUITE IMPRESSIVE WITH COLLECTIONS UP 57.5 PERCENT IN NOMINAL TERMS OVER THE SAME PERIOD IN 1974. FOR COMPARATIVE PURPOSES THE NOMINAL INCREASE IN INCOME TAX COLLECTIONS DURING THIS FIVE-MONTH PERIOD OVER THE PAST FOUR YEARS AVERAGED 20.5 PERCENT.

2. THE SHARP INCREASE IN INCOME TAX COLLECTIONS IS ATTRIBUTABLE PRICIPALLY TO THREE FACTORS: THE PRESUMPTIVE TAX FN INCOME, INCREASED RATES FOR PATRIMONIAL (WEALTH) TAXES, AND THE CLOSING OF NUMEROUS TAX LOOPHOLES. AN ADDITIONAL FACTOR WAS THAT THE SHORT TIME PERIOD BETWEEN ADOPTION OF THE NEW MEASURES AND FILING DATES EFFECTIVELY LIMITED THE SEARCH FOR LOOPHOLES. WITH THE WATERING DOWN BY CONGRESS OF APPEALS PROCEDURE, CONTESTED RETURNS CONTINUE TO BE A PGUBLEM BUT THE TAX OFFICE IS ATTEMPTING TO DEVELOP ADDITIONAL ADMINISTRATIVE PROCEDURES TO COMBAT

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THIS TENDENCY.

3. TAX OFFICE OFFICIALS INDICATE THAT TENTATIVE RESULTS FOR JUNE SHOW AN EVEN BETTER PERFORMANCE THAN MAY, REFLECTING CORPORATE TAX DECLARATIONS. THE TOTAL INCREASE THROUGH JUN IS EXPECTED TO BE OVER 60 PERCENT. WHILE SUCH AN INCREASE PROBABLY CANNOT BE MAINTAINED FOR THE ENTIRE YEAR, TAX OFFICE OFFICIALS ARE OPTIMISTIC THAT A GROWTH OF ABOUT 45 PERCENT WILL BE ACHIEVED (I.E., A REAL INCREASE OF AROUND 25 PERCENT).

4. OTHER CURRENT REVENUE COLLECTIONS ALSO CONTINUE TO PERFORM WELL. THROUGH MAY, SALES TAXES ARE UP 215 PERCENT, THE SPECIAL EXCHANGE ACCOUNT 65 PERCENT AND CUSTOMS DUTIES 34 PERCENT. TOTAL CURRENT REVENUES THUS SHOW AN INCREASE OF SLIGHTLY OVER 50 PERCENT. ACCORDINGLY, IT APPEARS THAT PREVIOUS PROJECTIONS BOTH BY THE GOC AND THE EMBASSY MAY HAVE BEEN INSUFFICIENTLY OPTIMISTIC AND THAT TOTAL REVENUES COULD REACH 38-39 BILLION PESOS OR 40-45 PERCENT GREATER THAN IN 1974.
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